



July 2, 2001

Jeffrey Berg, Acting Director
CDFI Fund
U.S. Department of Treasury
601 13th Street, N.W., Suite 200 South
Washington, D.C. 20005

Dear Mr. Berg:

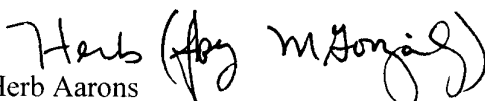
RE: NEW MARKETS TAX CREDIT PROGRAM

Pursuant to your request, attached please find our comments.

Lisa Munoz, Officer of Operations for the Rural Development and Finance Corporation in San Antonio, Texas and I have worked together on the issues regarding the New Market Tax Credit Program. Our commentary is based on information we received from clients and farm workers in the Salinas Valley (Central Coast of California).

Questions may be directed to myself at (831) 424-1099, Extension 205 or to Ms. Munoz at (210) 212-4552.

Sincerely,


Herb Aaronson
President

Enclosure

COMMENT ON PENDING ISSUES
Community Development Financial Institutions
Guidance New Markets Tax Credit Program

1. *Concerns regarding status of non-profits CDFI's as they relate to CDE's.*

The regulations clearly outline that only for profit CDE's may qualify for new market tax credits (nmte). The regulations should speak to the principal of "inheritance" whereby the non-profit CDE can transfer its status, (such as a CDFI), community involvement, lending or investment experience, low income representation and other factors to a newly established for profit CDE of its own making.

Although, it may be the intent of Treasury to allow this type of inheritance to take place, it is an important issue for all not for profit CDFI's which have not yet created for profit subsidiaries. Absent, permissive regulations, non-profits could be forced to prove their eligibility and experience without benefit of their past experience and therefore be effectively excluded from the program.

2. *Defining Qualified Active Low-Income Community Business*

Services Requirement: We feel that the most important benefit to the low income community conferred by economic development is the creation of full time employment for that community. Workers, themselves define a employment community that is extensively greater than census districts-- defined by the availability of transportation. For example, in our own community (Monterey County) the North American Development Bank--Community Adjustment Investment Program (NADBANK-CAIP) looked at plant closings in King City (forty minutes from the major city) as justification for declaring all of Monterey County eligible for investment benefits.

The "substantial portion of the services" clause should be interpreted as pertaining to workers who live in low income communities as well as workers who come to work at facilities located in low income communities. The "substantial portion" of the tangible property located within a low income community already is inclusive of census districts which provide employment. However, the regulations should encourage investment that would employ low income residents--even if such communities are primarily residential.

In the City of Salinas for example, many low income communities (as defined by census district) are almost entirely residential with workers driving to employment--mainly in agricultural processing plants or in the fields. Processing plants are located in census districts which are zoned for industrial use and are not necessarily "low income" since very few residents of any income level live in that district.

3. Availability of Bank Enterprise Award funds for Investors

We would allow investors to avail themselves of both BEA awards and the tax credit. While this may appear to be “double dipping” it would actual promote leverage in encouraging Banks and other investors to concentrate their activities in low income communities.